

By: Harris

S.B. No. 1640

A BILL TO BE ENTITLED

AN ACT

relating to methods and procedures of ad valorem tax valuation of inventory of persons engaged in the business of leasing or renting certain vehicles, machinery, or equipment, and to any collection by those persons of tax escrow payments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. It is the intent of the legislature that the changes in law made by this Act be construed and implemented as an alternative method for valuation and collection of an existing ad valorem tax on property to which the changes apply and not as the imposition of a new tax on the affected property. The legislature further intends that the implementation of the changes in law made by this Act not result in any increase in tax revenue by virtue of the changes or an increase in the tax burden per unit of taxable property of affected parties by virtue of the changes.

SECTION 2. Section 23.1241, Tax Code, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a person who has elected to instead be subject to Sections 23.12 and 23.1243.

SECTION 3. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.1243 to read as follows:

Sec. 23.1243. LEASE OR RENTAL OF CERTAIN VEHICLES, MACHINERY, OR EQUIPMENT. (a) A person who is otherwise subject to Section 23.1241 may elect to instead be subject to this section and

1 Section 23.12 if the person meets the applicability requirements
2 described by this section.

3 (b) In this section, "qualified property" means
4 self-propelled, self-powered, or pull-type equipment, including
5 attachments, farm equipment, or a diesel engine, that weighs at
6 least 1,500 pounds and is intended to be used for agricultural,
7 construction, industrial, maritime, mining, or forestry uses.
8 Other than a vehicle that meets the definition of qualified
9 property under this subsection, the term does not include a motor
10 vehicle that is required to be:

11 (1) titled under Chapter 501, Transportation Code; or
12 (2) registered under Chapter 502, Transportation
13 Code.

14 (c) This section applies only to:

15 (1) a person primarily engaged in the business of
16 leasing or renting qualified property in this state to others; and

17 (2) qualified property owned by the person that:

18 (A) has taxable situs in this state for ad
19 valorem tax purposes; and

20 (B) is subject to a lease or rental agreement
21 having a term of less than one year or to an at-will contract that
22 does not contain a defined term.

23 (d) This section does not apply to an item of qualified
24 property that is operated during the term of the lease or rental
25 agreement solely by the owner of the qualified property or by an
26 employee or agent of the owner.

27 (e) A person who leases or rents qualified property to

1 another person and includes an amount for escrow of ad valorem tax
2 as part of the agreement with the lessee or renter shall clearly
3 state in the lease or rental agreement or invoice covering the
4 transaction the amount and rate of the tax and the amount being
5 escrowed.

6 (f) If an amount remains of any escrow collections in excess
7 of the amount of annual property taxes due on the qualified
8 property, the assessor-collector of taxes for the county in which
9 ad valorem taxes on the property were imposed during the applicable
10 ad valorem tax year shall retain the excess escrow. If the amount
11 of any escrow collections is less than the amount of annual property
12 taxes due on the qualified property, the person who collected the
13 escrow amounts shall pay the additional amount due directly to the
14 tax office not later than February 15 of the tax year following the
15 tax year in which the taxes were imposed.

16 (g) As soon as practicable following receipt of any amount
17 under Subsection (f), the assessor-collector of taxes for the
18 county shall distribute those proceeds to the taxing units that
19 imposed ad valorem taxes on the qualified property in the preceding
20 tax year in proportion to the amount of taxes each taxing unit
21 imposed in that year on the property.

22 SECTION 4. This Act takes effect September 1, 2009.